

OFFICIAL PROCEEDINGS OF THE BOARD OF TRUSTEES CITY OF LANSING POLICE AND FIRE RETIREMENT SYSTEM

Regular Meeting
Council Conference Room
10th Floor, City Hall
Lansing, MI

March 17, 2015
Tuesday, 8:30 a.m.

The Board was called to order at 8:43 a.m.

Present: Trustees Fabus, Kraus, Oleson, St. Aubin, Wohlfert, Wood– 6.
Absent: Trustee Bernero

Others: Karen E. Williams, Finance Department; Attorney Ken Lane, Clark Hill Law Office (representing the Law Department), City Attorney Janene McIntyre.

It was moved by Trustee Kraus and supported by Trustee Wood to approve the Official Minutes of the Police and Fire Retirement System Board Meeting of February 17, 2015.

Adopted by the following vote: 6 – 0

It was moved by Trustee Wood and supported by Trustee Wohlfert to approve the Official Minutes of the Joint Police and Fire Retirement System Board and the Employees' Retirement System Board Meeting of February 17, 2015.

Adopted by the following vote: 6 - 0.

There were no public comments.

Secretary's Report.

0 new fire member(s), 0 new police members, 0 reinstatement(s), 0 refund(s), 0 transfers, 2 retired. Total: Active membership: 323. 2 death(s), Susan Roush, died 2/6/2015, age 59, spouse of Fire retiree; Martin J. Lardie, Fire, died 2/16/2015, age 90, spouse to receive 50%. Refunds made since the last regular meeting amounted to \$0.00. Reimbursements to the System year-to-date amount to \$0.00. Retirement allowances paid for the month of February 2015 amounted to \$2,350,546.58. Total retirement checks printed for the P&F System: 707. Total retirement checks printed for both systems: 1613. Domestic relations order received: 0 Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

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It was moved by Trustee Fabus and supported by Trustee Kraus to approve the following application for Regular Age and Service Retirement:

Steven R. Sherman, Fire Department, 25 years, 4 months of service credits, age 49, effective March 23, 2015.

Adopted by the following vote: 6 - 0

It was moved by Trustee Fabus and supported by Trustee Kraus to approve the following application for Regular Age and Service Retirement:

Joseph M. Brown, Police Department, 24 years, 8 months of service credits, age 54, effective March 28, 2015. (Eligible with the Reciprocal Retirement Act with 4 months of reciprocal unit time from MERS/Eaton County)

Adopted by the following vote: 6 – 0.

Karen Williams reported that the Applicant 2014-P 1118 had seen the Medical Director and the medical report had been received by the disability subcommittee.

Trustee Fabus reported that the disability subcommittee had met and recommended concurrence with the medical report to approve the duty disability for applicant 2014-P1118.

It was moved by Trustee Fabus and supported by Trustee Kraus to approve the request for duty disability retirement of Applicant 2014-P1118.

Adopted by the following vote: 6 – 0.

Karen Williams updated the Police and Fire Retirement Board that the Retirement Office has received the requested documents from Applicant #2014-F1216 and the Human Resources. The documents have been forwarded to the Medical Director for scheduling.

There were no requests for non-duty disability retirement.

There were no requests for refunds of accumulated contributions.

Trustee Robert Oleson provided a report of the MAPERS One-Day Conference held March 13, 2015. Trustee Oleson discussed conference sessions that included health care strategies, institutional investment, disability retirements, active versus passive investment, and Michigan retirement plan comparison.

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Trustee Oleson noted that the City of Lansing rated well among plans with its policies and procedures. Trustee Oleson provided conference information for trustee review.

Trustee Wohlfert provided a report of his attendance at the MAPERS One Day Conference. Trustee Wohlfert appreciated the educational and networking experience.

Karen Williams reminded members of the upcoming MAPERS Spring Conference. Members who wished to attend should contact the retirement office.

Karen Williams distributed the updated City of Lansing Travel and Business Expenses Policy. Ms. Williams noted that the mileage reimbursement had increased to 57.5 cents.

Attorney Ken Lane reported that the Police and Fire Retirement System Board's Education policy is written in such a way as to automatically adopt the City's Travel and Business Expense policy.

Karen Williams updated the Police and Fire Retirement System Board regarding the Tegrit Pension Software project. Karen Williams reviewed the timeline for the completion of the project, scheduled for August 2015. Karen Williams requested that Tegrit attend one of the April Board meetings to demonstrate the web site estimator. Trustees will be able to perform user testing and provide feedback.

Trustee St. Aubin reported to the Police and Fire Retirement Board that he discussed with Trustee Mark Parker of the Employees Retirement System Board the extension of Dawn Polihonki's contract for the software project. The extension is request through the end of the year to assist with the completion of the project.

Trustee St. Aubin reported that Ms. Polihonki had not used up the funds that had been allocated for the project. The extension would be at her current rate of \$90/hour, not to exceed \$15,000. No additional funds would need to be allocated.

It was moved by Trustee Oleson and supported by Trustee Wood to extend Dawn Polihonki's contract through the end of 2015.

Trustee Wohlfert inquired about the vendor's duties. Trustee St. Aubin explained that Ms. Polihonki duties are as coordinator to assist the Board sponsors and help facilitate the completion of the project.

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Mr. Robert Rose provided public comments for items not on the agenda. Mr. Rose indicated that he was a candidate for public representative to the Police and Fire Retirement Board. Mr. Rose had been reviewed by the public safety committee and his candidacy was before the City Council for approval. Mr. Rose disclosed that he was contracted with the public service department for two months to fill in for an employee who was on medical leave. Mr. Rose indicated that he had served on the Employees' Retirement System Board.

Attorney Ken Lane was asked by Trustee Fabus to review the definition of final average compensation. Attorney Lane performed a review of the recent Ordinance and collective retirement agreement. Attorney Lane opined that the current definition would include highest two years of compensation throughout the member's career.

Attorney Lane recommended that the Police and Fire Retirement Board update its Summary Plan Description policy to reflect the current Ordinance and bargaining unit agreements. Attorney Lane recommended that the Police and Fire Board trustees review the document for amendments.

It was moved by Trustee Wood and supported by Trustee Fabus to accept the recommendation from legal counsel that the Police and Fire Retirement Board Summary Plan Description Policy be updated to reflect the current Ordinance and bargaining unit language and amend the Final Average Compensation definition to span the career of a member of the Police and Fire Retirement System Plan effective March 17, 2015.

Adopted by the following vote: 6 - 0

Attorney Lane distributed and reviewed the amended Annual Report Policy with the new dates to streamline the actuarial report process: June 30, data to actuary; August 30, valuation draft; September 30, Actuary final report.

It was moved by Trustee Wood and supported by Trustee Oleson to approve the amended Annual Report Policy with the new dates for actuarial report.

Trustee Wood reported that that City Council has received the independent audit communication for the Comprehensive Annual Financial Report. Trustee Wood indicated there were two comments regarding the retirement system: timeliness of the actuary report, documentation of annual benefit adjustments and increases. Trustee Wood requested that legal counsel review the report and draft a letter to City Council detailing the steps that the Police and Fire Retirement Board were taking to address these comments.

Adopted by the following vote: 6 - 0.

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Trustee St. Aubin requested that legal counsel draft a letter to City Council on behalf of the Police and Fire Retirement Board that details the steps the Board has taken to address the audit comments with the adoption of the amended annual report policy.

Attorney Lane reported that TRowe Price moved its record keeping duties to BNY Mellon. At the February Joint Meeting, the retirement boards directed him to contact T Rowe Price with its acceptance of the change. Attorney Lane contacted TRowe Price by email.

Trustee Wood inquired about the status of the Police and Fire Retirement Ordinance to reflect the new IAFF and FOP Nonsupervisory contracts' new multiplier and the eligibility requirements.

Attorney Lane reported that the Police and Fire Retirement Ordinance are under review with the City Attorney's Office.

Trustee Wood reported that the City Attorney's office presented a resolution to the Committee of the Whole meeting to add a new law firm to the Outside Legal Counsel list. During the meeting, members were informed that the firm handles fraud monitoring for pension systems. Trustee Wood expressed concern that the Retirement Board had procedures for contracting with its outside legal counsel. The Retirement Board did not get an opportunity to interview or discuss the firm. The resolution was pulled from the Committee of the Whole for the Board discussion.

City Attorney McIntyre reported that the firm made a formal request to be added to the outside legal counsel list. Trustee McIntyre explained the outside legal counsel list and the process for additions to the list. The placement of a firm on the list does not obligate the City of Lansing or the retirement boards to contract with them. Trustee McIntyre reported that Labaton Sucharow offered a variety of services and indicated that there was no intention to select a firm for either board without their input. Trustee McIntyre indicated that there was no contract in place.

Trustee Oleson inquired if the retirement board would have any obligation to contract with the firm.

City Attorney McIntyre confirmed that the retirement board would not be obligated to engage the services of the firm.

Trustee Wood discussed that the past practice had been for the retirement boards to interview and select the firms that provided services on behalf of the Board.

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Trustee Fabus indicated that any vendor involved with the Police and Fire Retirement Board has been screened and interviewed by the trustees. Trustee Fabus noted that if the Board wished to contract with another firm, members would conduct interviews and perform due diligence. Trustee Fabus indicated that a previous city attorney had a relationship with a firm that was added to the list on behalf of the Board.

Trustee McIntyre indicated that neither she nor any member of her staff have a relationship with Labaton Sucharow.

Attorney Ken Lane indicated the firm Labaton Sucharow was on the list of firms that were researched by legal counsel when the Police and Fire Board selected its fraud monitoring firm. Labaton Sucharow not make the top ten that were presented to the Board for review.

Trustee Kraus inquired to legal counsel about a firm that was not hired by the Board who entered litigation on behalf of the Retirement Board.

Attorney Lane reviewed that a previous City Attorney attended a Retirement Board meeting to request that a firm that had been rejected by the Board be given another opportunity. The Retirement Board denied the request. The firm was later added to the outside legal counsel list.

Attorney Ken Lane indicated the Police and Fire Retirement Board had a policy in place regarding its work with outside legal counsel. The Police and Fire Board would not be required to contract with the firm.

Trustee St. Aubin reviewed that the Police and Fire Retirement Board had made a decision to not pursue any further derivative legal actions. Trustee St. Aubin summarized the discussion that the Police and Fire Retirement Board had decided to continue with its current policies and procedures.

Trustee Wood requested that a letter be drafted to the City Council that indicated the Police and Fire Retirement Board would continue to follow its current policies and procedures regarding outside legal counsel. The Retirement Board would not be obligated to use the added firm.

Trustee St. Aubin requested that a letter be prepared by legal counsel to City Council as detailed by Trustee Wood.

Karen Williams reported that she received a formal letter of request from Mr. George Howell, who was scheduled for age and service conversion from duty disability. Mr. Howell requested that he be allowed to establish a payment plan to spread his overage for tax year 2014, with installments from six up to twelve months. Mr. Howell submitted his 1040 and outside earnings certification form.

Ms. Williams indicated that generally with duty disability retirees, overages are spread over a year.

Trustee Oleson did not want to create a legal precedence. Attorney Ken Lane indicated that the Retirement Board had the ability to review these requests on a case by case basis.

Trustee Kraus stated that Mr. Howard is gaining \$1300 a month at conversion and his income will no longer be constrained by the duty disability requirements. Trustee Kraus would support a shorter time frame for the payment of the overage.

It was moved by Trustee Kraus and supported by Trustee Oleson to allow the overage from tax year 2014 to be repaid within six months from Mr. George Howell's pension checks.

Trustee Fabus inquired what would happen if Mr. Howell died prior to retirement system recouping the overage.

Attorney Ken Lane stated that the Retirement System would still be able to recoup the money from the pension paid to the surviving beneficiary.

Adopted by the following vote: 6 - 0

Karen Williams reviewed the Quarterly Expense Report and the Securities Lending Report for the period ending February 28, 2015.

Trustee St. Aubin requested that a list be provided for possible due diligence visits and providing education and training for trustees.

It was moved by Trustee Fabus and supported by Trustee Wohlfert to adjourn the Police and Fire Retirement System Board meeting.

Adopted by the following vote: 6 – 0.

The meeting adjourned at 9:47 am.

Minutes approved on _____

Angela Bennett, Secretary
Police & Fire Retirement System

Brad St. Aubin, Chairperson
Police & Fire Retirement System